

**EAGLE GROVE
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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EAGLE GROVE COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2004 Election)

Jon Rowen	President	2005
Colleen Bartlett	Vice President	2006
Darrell Pedersen		2005
Michael Boyd		2004
Ann Motley	(Appointed January, 2004)	2004

(After September, 2004 Election)

Colleen Bartlett	President	2006
Jon Rowen	Vice President	2005
Darrell Pedersen		2005
Michael Boyd	(Resigned October, 2004)	
Ann Motley		2007
Dean Shutt	(Appointed, November, 2004)	
Jon Matteson	(Elected February, 2005)	2007

SCHOOL OFFICIALS

Rodney Montang	Superintendent
Teresa Sadler	District Secretary/ Treasurer

Independent Auditor's Report

To the Board of Education of the
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Eagle Grove Community School District, Eagle Grove, Iowa as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Eagle Grove Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our reports dated September 23, 2005 on our consideration of Eagle Grove Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 33 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Eagle Grove Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

September 23, 2005

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Eagle Grove Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,624,377 in fiscal 2004 to \$7,342,452 in fiscal 2005, while General Fund expenditures increased from \$7,149,695 in fiscal year 2004 to \$7,250,531 in fiscal 2005.
- The increase in General Fund revenues was primarily attributable to increases in grant activity and state foundation aid. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. The 10% increase in the unreserved General Fund balance is attributable to increased revenues and controlled spending.
- The School Infrastructure Local Option Sales Tax for Wright County was implemented July 1, 2003. Proceeds are being used for building projects and payment of debt.
- The District began construction of a new elementary school, along with remodeling and additions to the middle school.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *Government-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the Government-wide statements.
- The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the *short term*, as well as, what remains for future spending.
- The statement for *proprietary funds* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as food services and community education.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Eagle Grove Community School District

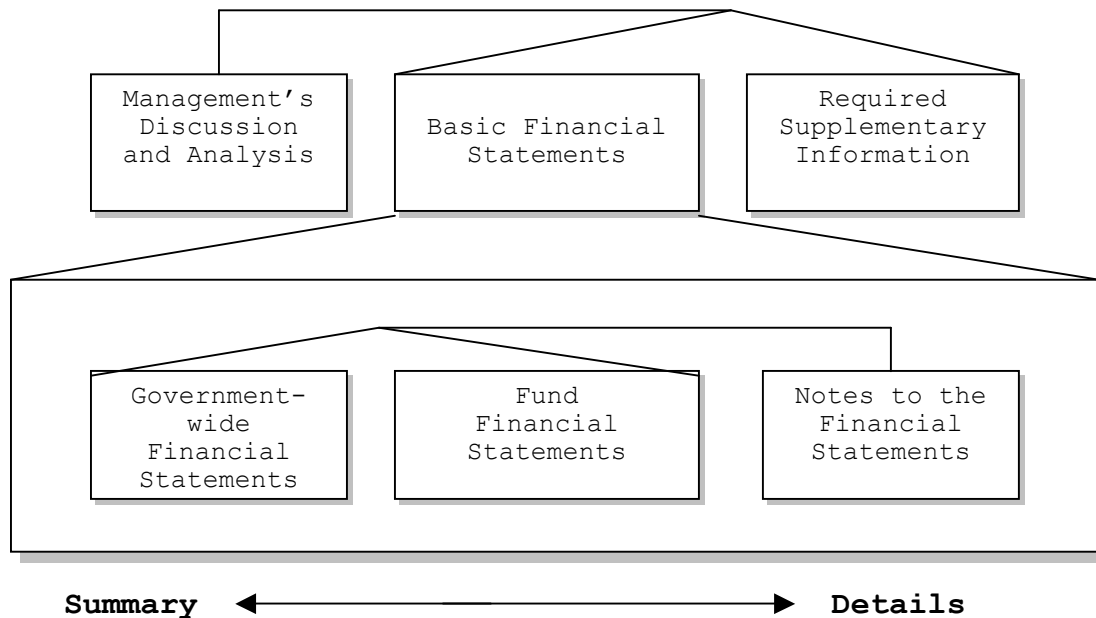


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements			
	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two Government-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the Government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and community education programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Community Education Fund.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Current assets	9,830	10,843	4	22	9,834	10,865	-9.49%
Capital assets	5,078	1,776	25	27	5,103	1,803	183.03%
Total assets	<u>14,908</u>	<u>12,619</u>	<u>29</u>	<u>49</u>	<u>14,937</u>	<u>12,668</u>	<u>17.91%</u>
Current liabilities	2,744	2,442	7	-	2,751	2,442	12.65%
Non-current liabilities	6,041	6,343	-	-	6,041	6,343	-4.76%
Total liabilities	<u>8,785</u>	<u>8,785</u>	<u>7</u>	<u>-</u>	<u>8,792</u>	<u>8,785</u>	<u>0.08%</u>
Net Assets							
Invested in capital assets, net of related debt	5,067	1,743	25	27	5,092	1,770	187.68%
Restricted	265	1,093	-	-	265	1,093	-75.75%
Unrestricted	791	998	(3)	22	788	1,020	-22.75%
Total net assets	<u>6,123</u>	<u>3,834</u>	<u>22</u>	<u>49</u>	<u>6,145</u>	<u>3,883</u>	<u>58.25%</u>

The District's combined net assets were greater at June 30, 2005 than June 30, 2004. The largest increase occurred as a result of the District receiving the gift of the Emerson Building.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4			
Change in Net Assets			
(expressed in thousands)			
	Governmental	Business-type	Total
	Activities	Activities	School
	\$	\$	District
			\$
Revenues:			
Program revenues:			
Charges for service and sales	130	175	305
Operating grants, contributions			
and restricted interest	3,645	180	3,825
General revenues:			
Property tax	2,423	-	2,423
Local option sales tax	320	-	320
Unrestricted state grants	3,630	-	3,630
Unrestricted investment earnings	30	-	30
Other	182	-	182
Total revenues	<u>10,360</u>	<u>355</u>	<u>10,715</u>
Program expenses:			
Governmental activities:			
Instruction	4,613	-	4,613
Support Services	2,415	-	2,415
Non-instructional programs	273	383	656
Other expenses	769	-	769
Total expenses	<u>8,070</u>	<u>383</u>	<u>8,453</u>
Change in net assets	<u>2,290</u>	<u>(28)</u>	<u>2,262</u>

Property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 85% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$10,359,423 and expenses were \$8,069,692. The District's General Fund increased by 10% due to a combination of revenue increases and controlled spending.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	4,613	3,598
Support Services	2,415	2,385
Non-instructional programs	273	10
Other expenses	<u>769</u>	<u>(1,679)</u>
Totals	<u>8,070</u>	<u>4,314</u>

- The cost financed by users of the District's programs was \$129,795.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,171,615.
- The net cost of governmental activities was financed with \$2,422,602 in property tax, \$3,629,938 in state foundation aid, and \$40,308 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$354,926 and expenses were \$382,767. The District's business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted the Eagle Grove Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$6,123,228, sixty percent above last year's ending fund balances of \$3,833,497.

Governmental Fund Highlights

- The District maintained its General Fund balance by cutting expenses from portions of the budget that were not already obligated, such as supplies and maintenance items. Increased state foundation aid along with controlled spending allowed the General Fund balance to increase.
- The Physical Plant and Equipment Levy was used for costs on the weight room project as well as for its regular purposes, thus the balance decreased. These funds will be restored in fiscal year 2006.
- The District completed the second year of a five-year after school grant. The District had a positive Special Education ending balance.

Proprietary Fund Highlights

The Nutrition Fund struggles to maintain a positive balance given increases in food and salary costs. The District has attempted to maintain prices at a reasonable level.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service and Special Revenue Funds are not presented in the budgetary comparison on pages 34 and 35.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$80,000 less than the total budgeted receipts. Decreases in miscellaneous revenues and state funding are forcing the District to look for other sources of funding.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2005, the District has invested more than \$6 million in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$225,000.

The Elementary addition to the Middle School continues with a projected completion date of fall of 2006. At that time, the two existing elementary centers will be closed. A street paving project will coincide with this project.

The District acquired the Emerson Building from Iowa Central Community College. It will be the home of the District Administration Office in addition to its current educational uses.

Maintenance and shop will be moving to the warehouse site. The current District Administration office and annex will be sold. The District completed construction a weight room addition to the high school providing additional classroom space.

Long-Term Debt

The District has nearly \$6,000,000 in outstanding general obligation bonds. The bonds will be repaid with proceeds from the School Infrastructure Local Option Sales Tax.

The District will make the final payment on its energy loan in October, 2005.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District passed an Instructional Support Levy to begin in fiscal year 2007.
- The District is experiencing decreasing enrollment the past several years. Early projections would indicate decline in official enrollment for the 2004-05 school year.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Sadler, Business Manager, Eagle Grove Community School District, 216 N Commercial, Eagle Grove, IA 50533.

Basic Financial Statements

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	7,161,096	-	7,161,096
Receivables:			
Property tax:			
Current year	35,371	-	35,371
Succeeding year	2,459,938	-	2,459,938
Due from other governments	170,157	-	170,157
Other receivables	3,265	-	3,265
Inventories	-	4,078	4,078
Capital assets, net of accumulated depreciation (note 3)	5,078,067	24,799	5,102,866
Total assets	14,907,894	28,877	14,936,771
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	247,609	7,472	255,081
Retainage payable	15,744	-	15,744
Accrued interest payable	20,310	-	20,310
Deferred revenue:			
Succeeding year property tax	2,459,938	-	2,459,938
Long term liabilities:			
Portion due within one year:			
Bonds payable	220,000	-	220,000
Capital loan notes payable	11,000	-	11,000
Early retirement	10,666	-	10,666
Portion due after one year:			
Bonds payable	5,775,000	-	5,775,000
Early retirement	24,399	-	24,399
Total liabilities	8,784,666	7,472	8,792,138
Net assets:			
Invested in capital assets, net of related debt	5,067,067	24,799	5,091,866
Restricted for:			
Management levy	265,435	-	265,435
Unrestricted	790,726	(3,394)	787,332
Total net assets	6,123,228	21,405	6,144,633

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Expenses	Program Revenues		Governmental Activities	Business-Type Activities	Total
		Charges for Service	Operating Grants, Contributions and Restricted Interest			
	\$	\$	\$	\$	\$	\$
<u>Functions/Programs</u>						
Governmental activities:						
Instruction:						
Regular instruction	2,751,552	125,352	340,604	(2,285,596)	-	(2,285,596)
Special instruction	1,391,074	618	274,550	(1,115,906)	-	(1,115,906)
Other instruction	470,160	-	273,862	(196,298)	-	(196,298)
	<u>4,612,786</u>	<u>125,970</u>	<u>889,016</u>	<u>(3,597,800)</u>	<u>-</u>	<u>(3,597,800)</u>
Support services:						
Student services	252,973	-	9,839	(243,134)	-	(243,134)
Instructional staff services	356,984	-	-	(356,984)	-	(356,984)
Administration services	880,991	-	-	(880,991)	-	(880,991)
Operation and maintenance of plant services	676,221	-	16,220	(660,001)	-	(660,001)
Transportation services	247,764	3,825	-	(243,939)	-	(243,939)
	<u>2,414,933</u>	<u>3,825</u>	<u>26,059</u>	<u>(2,385,049)</u>	<u>-</u>	<u>(2,385,049)</u>
Non-instructional programs						
Community service and education	272,807	-	282,493	9,686	-	9,686
Other expenditures:						
Facilities acquisition and construction	36,533	-	2,170,811	2,134,278	-	2,134,278
Long-term debt interest	230,798	-	-	(230,798)	-	(230,798)
AEA flowthrough	277,089	-	277,089	-	-	-
Depreciation (unallocated) *	224,746	-	-	(224,746)	-	(224,746)
	<u>769,166</u>	<u>-</u>	<u>2,447,900</u>	<u>1,678,734</u>	<u>-</u>	<u>1,678,734</u>
Total governmental activities	8,069,692	129,795	3,645,468	(4,294,429)	-	(4,294,429)

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues					
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$	\$	\$	\$
Business-Type activities:						
Non-instructional programs						
Nutrition services	382,767	174,665	180,261	-	(27,841)	(27,841)
Total	8,452,459	304,460	3,825,729	(4,294,429)	(27,841)	(4,322,270)
General revenues:						
Property tax levied for:						
General purposes				2,149,628	-	2,149,628
Management fund				100,079	-	100,079
Capital outlay				172,895	-	172,895
Local option sales tax				319,644	-	319,644
Unrestricted state grants				3,629,938	-	3,629,938
Unrestricted investment earnings				30,417	-	30,417
Other				181,559	-	181,559
Total general revenue				6,584,160	-	6,584,160
Change in net assets				2,289,731	(27,841)	2,261,890
Net assets beginning of year				3,833,497	49,246	3,882,743
Net assets end of year				6,123,228	21,405	6,144,633

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Balance Sheet

Governmental Funds

June 30, 2005

	General	Capital Projects	Non-major	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	842,309	5,961,358	357,429	7,161,096
Receivables:				
Property tax:				
Current year	33,225	-	2,146	35,371
Succeeding year	2,183,714	-	276,224	2,459,938
Due from other governments	170,157	-	-	170,157
Interfund receivable	-	138,526	-	138,526
Other receivables	3,265	-	-	3,265
Total assets	<u>3,232,670</u>	<u>6,099,884</u>	<u>635,799</u>	<u>9,968,353</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	-	242,438	5,171	247,609
Retainage payable	-	15,744	-	15,744
Interfund payable	-	-	138,526	138,526
Deferred revenue:				
Succeeding year property tax	2,183,714	-	276,224	2,459,938
Total liabilities	<u>2,183,714</u>	<u>258,182</u>	<u>419,921</u>	<u>2,861,817</u>
Fund balances:				
Reserved for capital projects	-	5,841,702	-	5,841,702
Unreserved, undesignated	1,048,956	-	215,878	1,264,834
Total fund balance	<u>1,048,956</u>	<u>5,841,702</u>	<u>215,878</u>	<u>7,106,536</u>
Total liabilities and fund balances	<u>3,232,670</u>	<u>6,099,884</u>	<u>635,799</u>	<u>9,968,353</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)		\$ 7,106,536
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		5,078,067
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.		(20,310)
Long-term liabilities, including bonds payable and capital loan notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds	(5,995,000)	
Capital loan notes payable	(11,000)	
Early retirement	(35,065)	(6,041,065)
Net assets of governmental activities (Exhibit A)		<u>\$ 6,123,228</u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,149,628	-	319,644	272,974	2,742,246
Tuition	125,970	-	-	-	125,970
Other	269,374	-	160,811	359,469	789,654
State sources	4,494,457	-	-	4,073	4,498,530
Federal sources	303,023	-	-	-	303,023
Total revenues	<u>7,342,452</u>	<u>-</u>	<u>480,455</u>	<u>636,516</u>	<u>8,459,423</u>
Expenditures:					
Instruction:					
Regular instruction	2,796,294	-	-	42,940	2,839,234
Special instruction	1,393,282	-	-	-	1,393,282
Other instruction	233,170	-	-	239,657	472,827
	<u>4,422,746</u>	<u>-</u>	<u>-</u>	<u>282,597</u>	<u>4,705,343</u>
Support services:					
Student services	252,973	-	-	-	252,973
Instructional staff services	420,245	-	-	-	420,245
Administration services	830,109	-	-	50,882	880,991
Operation and maintenance of plant services	531,738	-	-	147,283	679,021
Transportation services	226,616	-	-	28,148	254,764
	<u>2,261,681</u>	<u>-</u>	<u>-</u>	<u>226,313</u>	<u>2,487,994</u>
Non-instructional programs:					
Community service and education	289,015	-	-	-	289,015
Other expenditures:					
Facilities acquisition and construction	-	-	1,218,195	308,492	1,526,687
Long-term debt:					
Principal	-	257,000	-	-	257,000
Interest	-	231,385	-	-	231,385
AEA flowthrough	277,089	-	-	-	277,089
	<u>277,089</u>	<u>488,385</u>	<u>1,218,195</u>	<u>308,492</u>	<u>2,292,161</u>
Total expenditures	<u>7,250,531</u>	<u>488,385</u>	<u>1,218,195</u>	<u>817,402</u>	<u>9,774,513</u>

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Fund Types

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Excess (deficiency) of revenues over (under) expenditures	<u>91,921</u>	<u>(488,385)</u>	<u>(737,740)</u>	<u>(180,886)</u>	<u>(1,315,090)</u>
Other financing sources (uses):					
Operating transfers in	-	488,385	-	-	488,385
Operating transfers out	<u>-</u>	<u>-</u>	<u>(464,869)</u>	<u>(23,516)</u>	<u>(488,385)</u>
	<u>-</u>	<u>488,385</u>	<u>(464,869)</u>	<u>(23,516)</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	91,921	-	(1,202,609)	(204,402)	(1,315,090)
Fund balances beginning of year	<u>957,035</u>	<u>-</u>	<u>7,044,311</u>	<u>420,280</u>	<u>8,421,626</u>
Fund balances end of year	<u><u>1,048,956</u></u>	<u><u>-</u></u>	<u><u>5,841,702</u></u>	<u><u>215,878</u></u>	<u><u>7,106,536</u></u>

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ (1,315,090)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Capital contributions are property donated to the District that is not recorded in the Statement of Revenues, Expenditures and Changes in Fund Balance (Exhibit E) 1,900,000

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	1,626,512	
Depreciation expense	<u>(224,746)</u>	1,401,766

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

Repaid		257,000
--------	--	---------

Early retirement expenses reported in the Statement of Activities do not require the use current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Payments		45,468
----------	--	--------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

587

Change in net assets of governmental activities (Exhibit B) \$ 2,289,731

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets

Proprietary Funds

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Operating revenue:	
Local sources:	
Charges for services	<u>174,665</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	133,032
Benefits	28,111
Services	1,585
Supplies	213,244
Other	5,004
Depreciation	<u>1,791</u>
Total operating expenses	<u>382,767</u>
Operating profit (loss)	<u>(208,102)</u>
Non-operating revenues:	
Interest on investments	13
State sources	5,663
Federal sources	<u>174,585</u>
	<u>180,261</u>
Change in net assets	(27,841)
Net assets beginning of year	<u>49,246</u>
Net assets end of year	<u><u>21,405</u></u>

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows

Proprietary Fund

Year ended June 30, 2005

	School Nutrition
	<u>\$</u>
Cash flows from operating activities:	
Cash received from sale of services	174,665
Cash payments to employees for services	(161,143)
Cash payments to suppliers for goods or services	(189,533)
Net cash provided by (used in) operating activities	<u>(176,011)</u>
Cash flows from non-capital financing activities:	
State grants received	5,663
Federal grants received	152,483
Net cash provided by non-capital financing activities	<u>158,146</u>
Cash flows from investing activities:	
Interest on investments	<u>13</u>
Net increase (decrease) in cash and cash equivalents	(17,852)
Cash and cash equivalents beginning of year	<u>17,852</u>
Cash and cash equivalents end of year	<u><u>-</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	(208,102)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,791
Commodities used	22,102
Decrease in inventory	726
Increase in accounts payable	7,472
	<u>(176,011)</u>
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:	
Current assets:	
Cash	<u><u>-</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$22,102.

See notes to financial statements.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Eagle Grove Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Eagle Grove, Iowa, and agricultural territory in Wright, Webster and Humboldt Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. For financial reporting purposes, Eagle Grove Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Eagle Grove Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wright County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The statements of net assets and the statement of activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of Interfund activity has been removed from these statements. Governmental activities which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management that can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other Non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The Government-wide financial statements and the proprietary fund financial statements are reported using the "economic resources measurement focus". The Government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds' principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the Government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term obligations - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements did not exceed the amounts budgeted in any of the four functions.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2005.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>131,192</u>	<u>-</u>	<u>-</u>	<u>131,192</u>
Capital assets being depreciated:				
Improvements other than buildings	226,145	-	-	226,145
Buildings	3,607,171	2,223,587	-	5,830,758
Furniture and Equipment	2,355,391	168,281	98,556	2,425,116
Construction in Progress	-	<u>1,134,644</u>	<u>-</u>	<u>1,134,644</u>
Total capital assets being depreciated	<u>6,188,707</u>	<u>3,526,512</u>	<u>98,556</u>	<u>9,616,663</u>
Less accumulated depreciation for:				
Improvements other than buildings	188,843	3,526	-	192,369
Buildings	2,490,871	59,182	-	2,550,053
Furniture and Equipment	<u>1,863,884</u>	<u>162,038</u>	<u>98,556</u>	<u>1,927,366</u>
Total accumulated depreciation	<u>4,543,598</u>	<u>224,746</u>	<u>98,556</u>	<u>4,669,788</u>
Total capital assets being depreciated, net	<u>1,645,109</u>	<u>3,301,766</u>	<u>-</u>	<u>4,946,875</u>
Governmental activities, capital assets, net	<u>1,776,301</u>	<u>3,301,766</u>	<u>-</u>	<u>5,078,067</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Business type activities				
Furniture and Equipment	49,869	-	2,716	47,153
Less accumulated depreciation	23,279	1,791	2,716	22,354
Business type activities capital assets, net	<u>26,590</u>	<u>(1,791)</u>	<u>-</u>	<u>24,799</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated

224,746

Business type activities:

Food service operations

1,791

(4) Capital Loan Notes Payable

Details of the District's June 30, 2005 capital loan note indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	<u>\$11,000</u>	<u>308</u>	<u>11,308</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	Capital Loan Notes	GO Bonds Payable	Early Retirement	Total
Balance beginning of year	\$33,000	6,230,000	80,533	6,343,533
Additions	-	-	-	-
Reductions	<u>22,000</u>	<u>235,000</u>	<u>45,468</u>	<u>302,468</u>
Balance end of year	<u>\$11,000</u>	<u>5,995,000</u>	<u>35,065</u>	<u>6,041,065</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$239,733, \$229,415, and \$232,284 respectively, equal to the required contributions for each year.

(7) Risk Management

Eagle Grove Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$277,089 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$16,000. Early retirement benefits paid during the year ended June 30, 2005 totaled \$45,468.

(10) Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u> %	<u>Principal</u> \$	<u>Interest</u> \$	<u>Total</u> \$
2006	3.00	220,000	243,716	463,716
2007	3.00	225,000	237,116	462,116
2008	3.00	235,000	230,366	465,366
2009	3.00	245,000	223,316	468,316
2010	3.00	250,000	215,966	465,966
2011	3.00	260,000	208,466	468,466
2012	3.00	270,000	199,366	469,366
2013	3.00	280,000	188,566	468,566
2014	3.00	300,000	174,566	474,566
2015	3.00	305,000	159,566	464,566
2016	3.00	320,000	147,824	467,824
2017	3.00	335,000	135,024	470,024
2018	3.00	345,000	121,456	466,456
2019	3.00	360,000	107,225	467,225
2020	3.00	375,000	91,925	466,925
2021	3.00	390,000	75,613	465,613
2022	3.00	410,000	58,258	468,258
2023	3.00	425,000	39,807	464,807
2024	3.00	445,000	20,470	465,470
Total		<u>5,995,000</u>	<u>2,878,612</u>	<u>8,873,612</u>

(11) Commitment

The District issued \$6,230,000 in general obligation bonds for the construction of a new elementary school, as well as, additions to and remodeling of the existing middle school building. Bids in the amount of \$6,344,122 have been approved as of June 30, 2005. Completion of the project is anticipated to be in the fall of 2006.

The following are as of June 30, 2005:

Total contract bids	\$6,344,412
Completed to date	1,134,644
Retainage payable	15,744
Amounts paid	876,462
Amounts currently payable	242,438
To be completed	5,209,768

(12) Financial Condition

The District's Physical Plant and Equipment Levy had a deficit fund balance of \$143,697 at June 30, 2005.

(13) Due from and Due to Other Funds

The detail of Interfund receivables and payables at June 30, 2005 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Special Revenue:	
	Physical Plant and Equipment Levy	<u>\$138,526</u>

The Physical Plant and Equipment Levy Fund owes for cash deficit in a joint bank account. The balance will be repaid by June 30, 2006.

(14) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$464,869
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>23,516</u>
Total		<u>\$488,385</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Receipts:						
Local sources	3,639,331	174,678	3,814,009	3,365,777	3,735,777	78,232
State sources	4,498,530	5,663	4,504,193	4,600,459	4,230,459	273,734
Federal sources	303,023	152,483	455,506	640,000	640,000	(184,494)
Total receipts	8,440,884	332,824	8,773,708	8,606,236	8,606,236	167,472
Disbursements:						
Instruction	4,471,990	-	4,471,990	5,829,434	5,829,434	1,357,444
Support services	2,487,994	-	2,487,994	2,793,828	2,793,828	305,834
Non-instructional programs	259,015	350,676	609,691	619,848	619,848	10,157
Other expenditures	2,292,161	-	2,292,161	1,625,871	3,500,000	1,207,839
Total disbursements	9,511,160	350,676	9,861,836	10,868,981	12,743,110	2,881,274
Excess (deficiency) of receipts over (under) disbursements	(1,070,276)	(17,852)	(1,088,128)	(2,262,745)	(4,136,874)	3,048,746
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,070,276)	(17,852)	(1,088,128)	(2,262,745)	(4,136,874)	3,048,746
Balance beginning of year	8,231,372	17,852	8,249,224	2,423,241	2,423,241	3,347,565
Balance end of year	7,161,096	-	7,161,096	160,496	(1,713,633)	6,396,311

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule - Budget to GAAP Reconciliation

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Type		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 8,440,884	18,539	8,459,423
Expenditures	9,511,160	263,353	9,774,513
Net	(1,070,276)	(244,814)	(1,315,090)
Other financing sources (uses)	-	-	-
Beginning fund balances	8,231,372	190,254	8,421,626
Ending fund balances	<u>\$ 7,161,096</u>	<u>(54,560)</u>	<u>7,106,536</u>

	Proprietary Fund Type		
	Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 332,824	22,102	354,926
Expenditures	350,676	32,091	382,767
Net	(17,852)	(9,989)	(27,841)
Beginning fund balances	17,852	31,394	49,246
Ending fund balances	<u>\$ -</u>	<u>21,405</u>	<u>21,405</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$1,874,129.

During the year ended June 30, 2005, disbursements did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	298,354	59,075	-	357,429
Property tax receivable:				
Current year	2,146	-	-	2,146
Succeeding year	100,000	-	176,224	276,224
Total assets	<u>400,500</u>	<u>59,075</u>	<u>176,224</u>	<u>635,799</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	-	-	5,171	5,171
Interfund payable	-	-	138,526	138,526
Deferred revenue:				
Succeeding year property tax	100,000	-	176,224	276,224
	100,000	-	319,921	419,921
Fund equity:				
Unreserved fund balances	300,500	59,075	(143,697)	215,878
Total liabilities and fund equity	<u>400,500</u>	<u>59,075</u>	<u>176,224</u>	<u>635,799</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances

Nonmajor Special Revenue Funds

Year ended June 30, 2005

	Management	Student Activity	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	100,079	-	172,895	272,974
Other	12,147	237,322	110,000	359,469
State sources	95	-	3,978	4,073
Total revenues	<u>112,321</u>	<u>237,322</u>	<u>286,873</u>	<u>636,516</u>
Expenditures:				
Instruction:				
Regular instruction	29,259	-	13,681	42,940
Co-curricular instruction	-	239,657	-	239,657
Support services:				
Administration services	50,882	-	-	50,882
Plant operation and maintenance	46,370	-	100,913	147,283
Student transportation	21,148	-	7,000	28,148
Other expenditures:				
Facilities acquisition and construction	-	-	308,492	308,492
Total expenditures	<u>147,659</u>	<u>239,657</u>	<u>430,086</u>	<u>817,402</u>
(Deficiency) of revenues (under) expenditures	<u>(35,338)</u>	<u>(2,335)</u>	<u>(143,213)</u>	<u>(180,886)</u>
Other financing (uses):				
Operating transfers out	-	-	(23,516)	(23,516)
Total operating financing (uses)	-	-	(23,516)	(23,516)
(Deficiency) of revenues (under) expenditures and other financing uses	(35,338)	(2,335)	(166,729)	(204,402)
Fund balances beginning of year	<u>335,838</u>	<u>61,410</u>	<u>23,032</u>	<u>420,280</u>
Fund balances end of year	<u>300,500</u>	<u>59,075</u>	<u>(143,697)</u>	<u>215,878</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
HS Musical	7,077	1,932	2,119	6,890
HS Speech/Drama	255	190	203	242
MS Speech/Drama	-	-	157	(157)
Trip Fund/Music Department	4,504	3,119	3,143	4,480
Music Concession Account	3,757	16,848	15,453	5,152
Color Guard	592	1,629	1,500	721
HS Music Account	6,879	1,173	1,145	6,907
Middle School Music	(175)	150	66	(91)
General Athletic Account	1,335	2,788	913	3,210
MS General Athletic	-	3,012	936	2,076
HS Boys Basketball	994	4,131	4,954	171
MS Boys Basketball	(400)	400	450	(450)
Boys Basketball Camp	403	794	774	423
HS Football	(1,079)	8,360	16,975	(9,694)
MS Football	(1,050)	1,050	787	(787)
Football Camp	845	1,896	1,558	1,183
Baseball	(2,667)	840	708	(2,535)
HS Cross Country	545	992	1,628	(91)
HS Cross Country Extracurricular	929	939	847	1,021
HS Boys Track	799	2,850	3,732	(83)
MS Boys Track	(380)	505	1,733	(1,608)
HS Boys Golf	(219)	261	194	(152)
HS Wrestling	(759)	9,423	7,939	725
MS Wrestling	(50)	50	200	(200)
HS Girls Basketball	1,445	4,056	3,635	1,866
MS Girls Basketball	(700)	700	500	(500)
Volleyball Camp	32	-	-	32
HS Volleyball	(39)	2,633	2,661	(67)
MS Volleyball	(400)	400	400	(400)
Softball	(2,387)	2,988	3,335	(2,734)
HS Girls Cross Country	625	939	1,193	371
HS Girls Cross Country Extracurricular	963	638	-	1,601
HS Girls Track	(148)	1,440	2,944	(1,652)
MS Girls Track	(335)	150	1,501	(1,686)
HS Girls Golf	(248)	248	120	(120)
Interest Account	1,018	1,009	1,018	1,009
HS Annual	(9,791)	5,200	1,362	(5,953)
Book Fair	564	6,307	6,041	830
Student Extracurricular	832	4,974	4,974	832
HS Student Fundraising	614	15,882	13,092	3,404
Student Activity Tickets	10,224	9,616	10,284	9,556

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
Adult Activity Tickets	1,195	1,380	1,195	1,380
HS Quiz Bowl	774	648	1,101	321
MS Student Senate	16,351	24,558	26,281	14,628
MS Student Fundraising	299	8,432	7,512	1,219
Cheerleaders	530	5,041	4,764	807
Drill Team	1,408	16,667	16,613	1,462
FFA	2,442	7,376	6,661	3,157
Spanish Club	7,974	16,532	18,371	6,135
National Honor Society	355	5,554	5,424	485
FBLA	(1,243)	22,179	22,308	(1,372)
HS Student Senate	42	1,916	1,295	663
Robert Blue School Yearbook	448	1,089	298	1,239
Class of 2004	639	-	639	-
Class of 2005	1,136	1,033	1,629	540
Class of 2006	1,516	2,018	3,465	69
Class of 2007	1,540	728	490	1,778
Class of 2008	1,600	359	437	1,522
Class of 2009	-	1,300	-	1,300
Totals	61,410	237,322	239,657	59,075

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

For the Last Four Years

	Years ended June 30,			
	2005	2004	2003	2002
Local sources:				
General	2,149,628	2,009,123	2,056,694	2,455,930
Special revenue	272,974	403,913	404,619	306,021
Capital projects	<u>319,644</u>	<u>261,566</u>	<u>241,506</u>	<u>196,563</u>
	<u>2,742,246</u>	<u>2,674,602</u>	<u>2,702,819</u>	<u>2,958,514</u>
State sources:				
General	4,494,457	4,001,189	3,858,953	3,858,202
Special revenue	42,940	30,957	9,248	2,024
School nutrition	<u>5,663</u>	<u>4,771</u>	<u>4,988</u>	<u>4,872</u>
	<u>4,543,060</u>	<u>4,036,917</u>	<u>3,873,189</u>	<u>3,865,098</u>
Federal sources:				
General	303,023	304,138	263,332	190,225
School nutrition	<u>174,585</u>	<u>166,084</u>	<u>152,888</u>	<u>146,036</u>
	<u>477,608</u>	<u>470,222</u>	<u>416,220</u>	<u>336,261</u>
Total	<u>7,762,914</u>	<u>7,181,741</u>	<u>6,992,228</u>	<u>7,159,873</u>

See accompanying independent auditor's report.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY05	<u>20,731</u>
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY05	27,845
National School Lunch Program	10.555	FY05	<u>128,581</u>
			<u>156,426</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1944-G-05	124,383
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY05	4,947
Innovative Education Program Strategies	84.298	FY05	4,868
21st Century Community Learning Centers Program	84.287	FY05	289,015
Improving Teacher Quality - States Grants	84.367	FY05	32,854
Grants for Assessments and Related Activities	84.369	FY05	5,316
Iowa Central Community College:			
Vocational Education - Basic Grants to States	84.048	FY05	13,766
Area Education Agency 8:			
Special Education - Grants to States (IDEA Part B)	84.027	FY05	<u>47,610</u>
Total			<u><u>699,916</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards included the federal grant activity of Eagle Grove Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Eagle Grove Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Eagle Grove Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 23, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Eagle Grove Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eagle Grove Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Eagle Grove Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

September 23, 2005

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of the
Eagle Grove Community School District:

Compliance

We have audited the compliance of Eagle Grove Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Eagle Grove Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Eagle Grove Community School District's management. Our responsibility is to express an opinion on Eagle Grove Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Eagle Grove Community School District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Eagle Grove Community School District's compliance with those requirements.

In our opinion Eagle Grove Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Eagle Grove Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Eagle Grove Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Eagle Grove Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item 05-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 05-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Eagle Grove Community School District and other parties to whom Eagle Grove Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK
Certified Public Accountant

September 23, 2005

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Reportable conditions in internal control over major programs were disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.287 - 21st Century Community Learning Centers
 - CFDA Number 84.048 - Vocational Education - Basic Grants to States
 - CFDA Number 84.027 - Special Education - Basic Grants to States (IDEA Part B)
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Eagle Grove Community School District did not qualify as a low-risk auditee.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.287 21st Century Community Learning Centers

Federal Award Year: 2005

US Department of Education

Passed through Iowa Department of Education

CFDA Number: 84.027 Special Education - Grants to States (IDEA Part B)

Federal Award Year: 2005

US Department of Education

Passed through Iowa Department of Education Agency 8

CFDA Number: 84.048 Vocational Education - Basic Grants to States

Federal Award Year: 2005

US Department of Education

Passed through Iowa Central Community College

05-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

05-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.

05-IV-B Certified Budget - Disbursements for the year ended June 30, 2005, did not exceed the amounts budgeted.

05-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

05-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

EAGLE GROVE COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

05-IV-E Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jon Rowen, Board President Owner of J & J Sports	Supplies	\$5,273

In accordance with Chapter 279.7A of the Code of Iowa, the transactions with Mr. Rowen appears to represent a conflict of interest since the total exceeded \$2,500 for the fiscal year.

Recommendation - The District should consult legal counsel to determine the disposition of this matter. Expenditures of this type should be reviewed annually.

Response - We will review these on an annual basis.

Conclusion - Response accepted.

05-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

05-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.

05-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

05-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

05-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

05-IV-K Financial Condition - We noted that the District's Physical Plant and Equipment Levy had a deficit fund balance at June 30, 2005.

Recommendation - We recommend that the District investigate alternatives to return this fund to a positive financial position.

Response - The District has plans in place to ensure that the fund will return to a positive financial position.

Conclusion - Response accepted.